

HOUSE BILL No. 1292

DIGEST OF INTRODUCED BILL

Citations Affected: IC 25-26-22.

Synopsis: Pharmacy record audits. Specifies requirements for the conduct of a pharmacy audit and the appeal of the results of a pharmacy audit.

Effective: July 1, 2009.

Welch, Stilwell, Crouch, Avery

January 13, 2009, read first time and referred to Committee on Public Health.

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Introduced

First Regular Session 116th General Assembly (2009)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2008 Regular Session of the General Assembly.

HOUSE BILL No. 1292

A BILL FOR AN ACT to amend the Indiana Code concerning professions and occupations.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 25-26-22 IS ADDED TO THE INDIANA CODE
2 AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 2009]:

4 **Chapter 22. Pharmacy Audits**

5 **Sec. 1. The definitions contained in IC 25-26-13-2 apply**
6 **throughout this chapter.**

7 **Sec. 2. As used in this chapter, "audit" means an audit of a**
8 **pharmacy:**

9 (1) on behalf of a third party payer; and

10 (2) related to a particular claim made by the pharmacy to the
11 third party payer.

12 **Sec. 3. As used in this chapter, "extrapolation audit" means an**
13 **audit of a sample of claims submitted by a pharmacy to a third**
14 **party payer, the results of which are used to estimate audit results**
15 **for a larger group of unaudited claims submitted by the pharmacy**
16 **to the third party payer.**

17 **Sec. 4. An audit must be conducted in compliance with this**

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chapter.

Sec. 5. An auditor conducting an audit shall comply with all of the following:

(1) The contract under which the audit is performed must provide a detailed description of audit procedures that will be followed.

(2) For an onsite audit conducted at a pharmacy's location, the auditor that conducts the audit shall provide written notice to the pharmacy at least two (2) weeks before the initial onsite audit is performed for each audit cycle.

(3) The auditor shall not interfere with the delivery of pharmacist services to a patient and shall use every effort to minimize inconvenience and disruption to pharmacy operations during the audit.

(4) If the audit requires use of clinical or professional judgment, the audit must be conducted by or in consultation with a pharmacist who is licensed under this article.

(5) The auditor shall allow the use of written or otherwise transmitted hospital, physician, or other health practitioner records to validate a pharmacy record with respect to a prescription for a legend drug.

(6) The auditor shall perform the audit according to the same standards and parameters that the auditor uses to audit all other similarly situated pharmacies on behalf of the third party payer.

(7) The period covered by the audit must not exceed twelve (12) months after the date on which the claim that is the subject of the audit was submitted to or adjudicated by the third party payer.

(8) The audit must not be initiated or scheduled during the first seven (7) calendar days of any month.

(9) Payment to the auditor for conducting the audit must not be based on a percentage of any amount recovered by the third party payer as a result of the audit.

Sec. 6. (a) Following an audit, the auditor shall provide to the pharmacy written audit reports as follows:

(1) The auditor shall deliver a preliminary audit report to the pharmacy not later than ninety (90) days after the audit is concluded.

(2) The auditor shall provide with the preliminary audit report a written appeal procedure for the pharmacy to follow if the pharmacy desires to appeal a finding contained in the

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preliminary audit report.

(3) The auditor shall deliver a final audit report, including any amendment necessary to reflect an appeal determination made by an independent third party under subsection (b), to the pharmacy not later than one hundred twenty (120) days after:

(A) the preliminary audit report is received by the pharmacy; or

(B) if an appeal is filed under subsection (b), a final appeal determination is made;

whichever is later.

(4) Each audit report must be signed by the auditor and each pharmacist participating in the audit.

(5) The auditor shall provide a copy of the final audit report to the third party payer.

(b) A written appeal procedure required by subsection (a)(2) must provide for the following:

(1) The appeal to be made to an independent third party for a binding determination concerning the finding that is the subject of the appeal.

(2) A period of at least sixty (60) days after the pharmacy receives the preliminary audit report during which to file the appeal with the independent third party and produce any information considered necessary by the independent third party.

(3) A period of not more than sixty (60) days after the independent third party receives all necessary information from the pharmacy and the auditor during which to make a binding determination concerning the appeal and report the determination to the pharmacy and the auditor.

(c) An independent third party shall use standards established by the National Council for Prescription Drug Programs or an equivalent organization to evaluate appeals filed under subsection (b) concerning claim submission and product size disputes.

Sec. 7. (a) A clerical error related to or contained in a document that is necessary to the conduct of an audit does not constitute fraud without proof of intent to commit fraud.

(b) A clerical error that results in inappropriate payment of a claim by the third party payer may result in recoupment of any inappropriately made payment.

Sec. 8. (a) An audit finding of an overpayment or underpayment of a claim:

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(1) must be based on an actual overpayment or underpayment; and

(2) may not be based on a projection that is based on the number of:

(A) patients who:

(i) have similar diagnoses; and

(ii) are served by the pharmacy; or

(B) prescriptions for or refills of similar legend drugs that are dispensed by the pharmacy.

(b) An audit finding of an overpayment may not be made based on an amount that includes a dispensing fee.

Sec. 9. (a) A final audit report must first be distributed before recoupment of funds may be made based on an audit finding of overpayment or underpayment.

(b) Interest on funds described in subsection (a) does not accrue during the audit period.

Sec. 10. The results of an extrapolation audit may not be used by an auditor as a basis for calculating overpayment or underpayment recoupments or penalties.

Sec. 11. This chapter does not apply to an investigative audit conducted by or on behalf of a state agency for purposes of determining whether fraud, willful misrepresentation, or abuse has occurred.

SECTION 2. [EFFECTIVE JULY 1, 2009] (a) IC 25-26-22, as added by this act, applies only to an audit related to pharmacy services that are provided after June 30, 2009.

(b) This SECTION expires June 30, 2014.

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